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The accountancy profession is the one that employs its expertise to provide assurance services on the accounting information of enterprises and institutions and to provide accounting, taxation, management consulting and other services. Since China's reform and opening up, its accountancy profession has been rebuilt and has undergone continuous development and attained remarkable achievements. At present, the profession consists of more than 7,400 accounting firms, over 85,000 practising CPAs and nearly 300,000 employees. With increasing expansion of the scope of practice and service targets, steady improvement of the competency of practice and professional regulation, establishment of basic legal system, and gradual strengthening of social impact and international influence, the accountancy profession has become an indispensable force to promote the healthy development of the Chinese economy and society. However, with a late starting point and weak foundation, Chinese accountancy profession still lags behind its global counterparts, and also struggles to meet domestic economic and social development requirements. The following opinions are put forward to accelerate development of the accountancy profession in China:

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(I) Accelerating development of the accountancy profession is a requirement in the course of establishing and improving the socialist market economy. The accountancy profession has expanded its services from conventional accounting and auditing to management consulting, internal control, credit investigation, investment strategy and so on. Large-size accounting firms have brought together experts in accounting, auditing, finance, taxation, law, financial management, risk control, strategic planning and other areas, and are playing important roles in enhancing economic information quality, guiding rational resource allocation, optimizing corporate governance and maintaining market economy order and social and public interests, etc.

(II) Accelerating development of the accountancy profession is an important measure to implement the central government's “going abroad” strategy for enterprises. As accounting is a common international business language, the transnational operation of enterprises and the cross-border flow of capital cannot be sustained without the support of the accountancy profession, who offers integrated services, such as accounting, taxation and management consulting for Chinese enterprises to access international markets. It helps these enterprises to meet the international standards for operation and management, compete with international players at a higher level and across a wider range.

core. It should enhance integrity and creditability by maintaining independence, objectivity and being impartial so as to be a respected and trusted profession in society.

(III) Key objectives

The following major developmental goals will be pursued within a five-year period:

- Sizes and structures of accounting firms should be optimised. The profession should focus on fostering around ten large-size accounting firms that possess the competitiveness to conduct multinational operations and provide integrated services. Actions should be taken to facilitate the sound development of medium-size accounting firms, where about 200 of them should be well-managed and be able to provide high quality services for large and medium enterprises, institutions and listed companies. Small-size accounting firms should be guided to develop in an orderly manner.

- The areas of practice of accounting firms should be substantially expanded. The Company Law of the People's Republic of China shall be strictly followed, where "Companies shall prepare financial reports at the end of each accounting year and such financial reports shall be audited by accounting firms in accordance with the provisions of the law", to ensure that the company accepts audit by CPAs pursuant to the provisions of the law. At the same time, the financial statements of non-profit organizations, such as hospitals and other medical and health institutions, colleges and specialized secondary schools, and universities and foundations, shall also be subject to audit by CPAs. In addition to financial statement audit, capital verification and tax-related assurance services, the areas of practice of CPAs should also be expanded to other relevant fields, including but not limited to internal control, management consulting, mergers and acquisitions, restructuring, capital and credit investigation, special audit, performance evaluation, judicial expertise, investment decision-making and government purchase, to drive large-size firms towards transformation and upgrading to accelerate outreach to advanced, high value-added services internationally.

- Remarkable improvement should be achieved in the practice environment across accounting firms. This shall be done by effectively removing administrative blockades, business restrictions and local protectionism which hinders the development of accounting firms, as well as by effectively regulating designated services, requests for kickbacks and other misconducts, so as to create a fair practice environment for accounting firms. Any regions, government departments or units shall not intentionally restrict the practice of accounting firms, and shall not interfere with the issuance of independent audit opinions by a CPA.

- The forms of organization, governance mechanisms and management systems of accounting firms should be set up on a more scientific basis. The principle should be in favor of the healthy development of the accountancy profession and the improvement of governance and competitiveness of accounting firms to support the adoption of any form of organization by accounting firms according to law so long as it is suitable for its

development strategy, business features and size. The governance structure and internal controls should be improved and made more transparent and efficient with checks and balances, and the systems of internal management and professional liability insurance should be constantly improved. Overall improvements shall be made to the level of information technology (IT) in accounting firm's internal management to ensure that large and medium size accounting firms universally utilize IT in financial reporting audit, internal control audit and other relevant services.

— The professional ethics and professional competence of the CPAs should be significantly enhanced. By development and implementation of strategy of talent training, a large number of internationalised and versatile talents, who adapt to the requirements for development of the accountancy profession, should be fostered in a planned, step-by-step process, and a high integrity and high quality CPA team should be built up.

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(I) Putting high priority to accelerating the development of large-size accounting firms
Large-size accounting firms refer to those taking a leading position in the profession in terms of talent, brand, size, technical standards, practice quality and management, and which can provide integrated services internationally for Chinese enterprises that "go globally". Actions should be taken to explore the forms of organization required for the development of these firms, and vigorously promote the special general partnership (limited liability partnership [LLP]). Medium-size accounting firms with high quality practice, institutionalised governance mechanisms and good growth momentum are encouraged to merge so as to grow into large-size accounting firms. During the process of restructuring, mergers and acquisitions, and growing more competitive and bigger, accounting firms should pay attention to allocation optimization and centralising management of resources, improving the governance structure, and setting up a strong internal support system for central management of personnel, finance, business, technical competency, information management, and other aspects.

(II) Actively promoting the sound development of medium-size accounting firms
Medium-size accounting firms refers to those performing at a relevantly high level in respect of talent, brand, size, technical resources, practice quality and management and which can provide professional or integrated services to large and medium enterprises, institutes and listed companies. Efforts should be made to steadily increase the number of such firms, as well as to constantly improve their professional service ability and internal management. Small-size accounting firms with good reputation and rapid growth are encouraged to restructure and merge, so that they can grow into medium-size firms or branches of those firms, to improve their capacity to serve the market at a higher level.

(III) Guiding structured development of small-size accounting firms
Small-size accounting firms refer to those of small-size and mainly providing specialised services. Small-size accounting firms should highlight their service features and focus on sophistication and

specialization. Guidance should be given to small accounting firms to, on the basis of structured management and strict quality control, innovate development models, service methods and technical procedures, for continuing to understand market demands and deepen provision of specialised services, so small-size firms will become the main provider of quality services for small-size enterprises and institutions, and in the vast rural areas.

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(I) Improving policies to support and jointly promote development

The Ministry of Finance ("MoF") shall, in conjunction with the relevant government departments, further establish and improve supporting policies for promoting the development of the accountancy profession, and provide support in aspects such as introduction and reasonable flow of talent, cultivating and training of practitioners, foreign affairs and foreign exchanges, tax policy, regulating practice fees and optimizing environment for development, etc. In accordance with market rules and the principle of equality and mutual benefit, fairness and voluntariness, accounting firms should be encouraged to adopt a variety of development models for optimised combinations to build more competitive and bigger firms, and ensure standardized operation of mergers, divisions, restructuring and combinations. The accountancy profession shall be considered as a critical part of the modern service industry, and highlight its focus work areas, so as to play a better role that of a service provider in economic and social development.

(II) Adhering to holistic considerations and strengthening guidance

Overseas-listed companies, companies in the financial, energy and telecommunication sectors, and other large state-owned enterprises that are vital to the nation's economy and wellbeing should have priority in the choice of large public accounting firms as their service providers, so as to safeguard national economic and information security. Large accounting firms are encouraged to establish overseas member firms or branches through merger and acquisition or other ways, with their role as a window and platform to lay a foundation for enhancing business competitiveness overseas. Favorable conditions should be offered to large accounting firms to "go globally" with support for promotion, encouragement, protection, service, approval and other aspects of investments overseas as well as assistance in terms of qualification approval, information consulting, market investigation and foreign liaison, etc. The localization process of existing Sino-foreign cooperative accounting firms should be accelerated to ensure fair competition under China's legal framework and unified market rules. Support should also be given to Chinese accounting firms to enter into international accounting networks on the basis of equality and mutual benefit.

Finance departments and institutes of CPAs at all levels should work on developing evaluation mechanisms and measures for society in regard to the appropriate selection and engagement of small and medium-size accounting firms. Efforts should also be made to enable medium-size accounting firms to expand their service scope and improve their service capabilities. Supports should be given to small-size accounting firms to develop non-audit services, such as bookkeeping, tax services, outsourcing, IT support, personal wealth management, providing

The finance departments of the provinces, autonomous regions and municipalities must fully acknowledge the significance of accelerating development of the accountancy profession in China, and should actively study and launch concrete measures to support the development of the profession based on local economic and social realities.

Finance departments at all levels should pay more attention to the role of institutes of CPAs in facilitating the accountancy profession.

(II) Intensifying publicity to create a good climate

Finance departments and institutes of CPAs at all levels should intensify publicity in terms of the practice nature, functionality, evolution and legacy of the accountancy profession, make the profession more recognized and acknowledged by the entire society, and create a favorable climate for the public to understand, support and respect the accountancy profession, which will eventually form a more favorable external environment to build consensus and pool together the strength for accelerating the development of the profession.

(CICPA organizes the translation of the Opinions. The Chinese text is the official version and this English text is for reference only.)